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FM AMEMBASSY BAGHDAD

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INFO RUCNRAQ/IRAQ COLLECTIVE

C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 002085

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E.O. 12958: DECL: 07/01/2018

TAGS: ECON PGOV IZ PREL MARR

SUBJECT: DPM BARHAM SALEH TO CODEL HIRONO: WE ARE MAKING PROGRESS BUT STILL NEED U.S. SUPPORT

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Classified By: Economic Minister Charles P. Ries for reasons 1.4 (b) and (d).

¶11. (C) SUMMARY: Deputy Prime Minister Barham Saleh told CODEL Hirono Iraq is making significant progress toward standing up its own security forces, reconciling politically, and developing economically, but the country nevertheless needs continued USG assistance to cement the gains. Saleh said there would be no fully negotiated status of forces agreement (SOFA) this year, but expressed confidence that the GOI and the USG would conclude a Strategic Framework Agreement (SFA) incorporating a "security protocol" that would serve as a concise SOFA outline. Saleh was guardedly optimistic that Tawafiq would return to the government in the coming weeks; he was less sanguine that the GOI and the KRG would agree on a hydrocarbons framework law anytime soon. He expressed frustration with U.S. Members of Congress who criticize the GOI on budget execution and corruption, arguing that Iraq is improving on both fronts. He nevertheless opined that improving the technical capacity of Iraq's government institutions remains the country's greatest economic challenge. END SUMMARY.

THE ISF ARE STRONGER TODAY, BUT NOT STRONG ENOUGH

¶12. (C) DPM Saleh emphasized both Iraq's progress and its ongoing need for U.S. assistance in his June 30 meeting with CODEL Hirono, which was comprised of: Rep. Mazie Hirono (D-HI); Rep. Brian Bilbray (R-CA); Rep. Travis Childers (D-HS); Rep. Robert Goodlatte (R-VA); and Rep. Thelma Drake (R-VA). Saleh told the Representatives that the Iraqi Security Forces (ISF) now boast 600,000 trained soldiers and policemen and plan to add two Iraqi Army (IA) divisions next year: a sharp increase from their numbers in 2004. Saleh said the new forces have empowered the GOI to take on militias in, e.g., Basrah and Sadr City, citing recent operations there as examples of the GOI's growing confidence and security capabilities. He said, however, growing GOI confidence notwithstanding, Iraq is not yet ready to defend its sovereignty against the internal and external threats it faces. Saleh observed that Iraq could not expect the United States to bolster the ISF forever, but he argued that the regional ramifications of Iraq's security mean that GOI and USG interests are aligned. "It would be different if we were an island in the Pacific," he joked, "but our security draws comments from Ayatollah Khamanei and Hassan Nasrallah (Secretary General of Lebanese Hezbollah)." Queried by Rep. Goodlatte regarding how many U.S. troops Iraq would need to remain in country, Saleh responded that he has learned not to second guess the judgments of the military; he offered, however, that he believes current troop levels are too high. Over time, he said, the ISF would move increasingly to the fore, and Coalition Forces (CF) would move to support roles.

NO SOFA THIS YEAR, BUT THE SFA WITH A "SECURITY PROTOCOL"

¶13. (C) Saleh said there would be no fully negotiated SOFA

this year, noting domestic political sensitivities over Iraq's sovereignty and the complexity of the negotiations. He said, however, that Iraq's top political leaders agree that the GOI and the USG need a common understanding with respect to, e.g., immunities and bases. He acknowledged the July 31 target date and opined that the GOI and the USG would agree to a "security protocol" incorporated into the SFA that would serve as a concise outline of a SOFA. Saleh noted Iranian public statements in opposition to the SFA and SOFA negotiations exacerbated existing concerns among ordinary Iraqis. Responding to Rep. Drake's observation that many Americans think the Iraqis do not want the CF in their country, Saleh clarified some of Iraq's domestic political complexities. "No Iraqi likes to have foreign troops in the country, and some do not want you here at all: ex-Baathists, al-Qaeda in Iraq, extremists and Sadrist. But Iraq's political leaders understand that your presence is necessary." Saleh said that some Iraqi politicians speak against the CF to placate their constituents but concede behind closed doors that the troops must stay. He said, for example, "one of the top three Sunni leaders" told him that Sunnis "know they would be in trouble without the U.S. forces here."

TAWAFUQ MAY RETURN, BUT HYDROCARBONS LEGISLATION DOUBTFUL

¶4. (C) Regarding political reconciliation, Saleh said that Iraq is going through a challenging period in its history: progress is inherently slow and frustrating. Saleh noted that the United States continues to debate issues such as the death penalty and gay marriage more than 200 years after its founding. He said Prime Minister Nuri al-Maliki and Tawafuq representatives had a long meeting June 29 and that the Sunni bloc may return to the GOI in the coming weeks. He urged caution, however: "We have been here before," he commented

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dryly. Saleh stated he doubts that the Iraqis will agree on hydrocarbons legislation "anytime soon." In addition to the ethnic dimension to the negotiations, he said Iraq is struggling to overcome the bureaucratic inertia left over from years of socialist government.

DOING BETTER ON BUDGET EXECUTION BUT INSTITUTIONAL CAPACITY STILL THE GREATEST CHALLENGE

¶5. (C) Saleh expressed frustration with U.S. Members of Congress who criticize the GOI on budget execution and corruption. He argued that the GOI is making progress on both fronts and agreed with his guests that governing in a democracy is like "herding cats." Saleh said both the Council of Representatives and a vibrant media subject the GOI to greater oversight than previous Iraqi governments ever experienced. He told the Representatives that the GOI nevertheless executed more than 60 percent of its USD 11 billion investment budget in 2007, up from 25 percent of USD 6 billion in 2006. He said he would be meeting later that day to discuss the 2008 supplemental, which he believes will total USD 17-20 billion. Saleh explained that provincial budget allocations were an important issue to him because of his own experience in sub-national government in the KRG. He opined that the federal government is not responsive enough to the provinces' needs: Iraq needs less government in general, and more local government than federal. He told the CODEL that the supplemental would provide USD 3 billion in additional funds for the fifteen non-KRG provinces, bringing their total 2008 block allocations to USD 7 billion.

¶6. (C) Despite the progress on budget execution and corruption, in response to a question from Rep. Hirono, Saleh identified institutional capacity as the greatest challenge to Iraq's economic development. He noted that the GOI is pursuing institutional reform under the auspices of the International Compact with Iraq. Continued progress, he said, will be essential; Iraq needs to "get the economics and the politics right" to sustain the gains in security.

¶7. (C) CODEL Hirono did not have the opportunity to clear on
this cable before departing Iraq.

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